

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the matter of	)
	)
SIERRA USA COMMUNICATIONS, INC.	)
	)
Application Pursuant to Section 214 of the	)
Communications Act for Authority	)
To Provide Global Resale and Facilities-Based	)
International Services	)
_____	)

**APPLICATION FOR INTERNATIONAL  
SECTION 214 AUTHORITY**

Sierra USA Communications, Inc. (“Sierra USA”) hereby requests authority, pursuant to Section 214 of the Communications Act, as amended (“the Act”), and Sections 63.18(e)(1), and 63.18(e)(2) of the Commission’s rules, to provide global facilities-based and resale services between all domestic and international points. Sierra USA also requests authority, pursuant to the Commission’s rules, to provide switched services through private lines interconnected to the public switched telephone network (“international simple resale” or “ISR”). Sierra USA seeks classification as a non-dominant international carrier on all routes, and it asks the Commission to review its application on a streamlined basis.

As a new entrant into the U.S. international services market, Sierra USA will help bring further competition to the market, leading to lower rates, greater choice and improved services for customers and end users. As a small, entrepreneurial company,

Sierra USA has no market power in any international service market, and thus cannot harm or distort competition, either in the United States or in any country on the foreign end of a U.S. international services route.

Sierra USA is a wholly owned subsidiary of Telereunion International, S.A. de C.V., a Mexican holding company based in Monterrey. Telereunion International also controls and owns a majority interest in Telereunion, S.A. de C.V., a competitive telecommunications carrier that operates under a concession to provide long distance services in the Mexican telecommunications services market. This makes Sierra an affiliate of Telereunion, a Mexican carrier. However, Telereunion is a small carrier and competes in Mexico with a range of other, larger carriers, including the incumbent carrier, Telefonos de Mexico, S.A. de C.V. (Telmex), which retains a dominant share of the Mexican long distance market.<sup>1</sup> Telereunion has no market power in any telecommunications service market in Mexico, where its market share is far less than 50 percent in any relevant service market. Sierra USA and its Mexican affiliate are both entrepreneurial competitors that are working to provide efficient, valuable services and innovative opportunities for consumers in their respective markets. Therefore, granting Sierra USA's applications for a 214 authorization will promote competition in the U.S. international services market, generally, and on the U.S.-Mexico route specifically. Moreover, granting this application poses no threat to competition or consumer welfare on any international route.

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<sup>1</sup> Other companies operating in that market include Avantel, Alestra, Marcatel, Protel, Bestel, Axtel, and Maxcom.

## **I. BACKGROUND**

Sierra USA is a newly founded company organized under the corporate and tax laws of the state of Delaware and domiciled in Houston, Texas. The company is a wholly owned subsidiary of Telereunion International, the parent company of Telereunion, which was founded in 1997 to provide telecommunications services in Mexico. While Telereunion has a state-of-the-art fiber optic network linking major cities in that country, neither Sierra USA nor Telereunion has ever held a 214 authorization to offer services in the United States before.

Prior to July 2004, Telereunion International was co-owned by three companies: Telereunion, Inc.; Telscape USA, Inc.; and Telscape International, Inc., a company that had entered into Chapter 11 bankruptcy proceedings in the U.S. Bankruptcy Court for the District of Delaware. In a transaction concluded July 9, 2004, those companies' interests in Telereunion International were purchased by two investors, Eduardo Vasquez Arroyo Carstens and his brother, Gabriel Agustin Vasquez Arroyo Carstens. Each of these investors holds 50 percent of the shares of Telereunion International, the parent company of Sierra, which is a wholly owned subsidiary. Sierra's Mexican affiliate, Telereunion, is co-owned and controlled by Telereunion International, which controls up to 64 percent of voting shares and roughly 90 percent of the capital stock. The remainder of Telereunion is held by a minority investment group, Comercializadora Lufravic, based in Mexico City.

Under this new, entrepreneurial ownership, Telereunion International plans to undertake the growth and diversification of the companies' services in both Mexico and the United States. As part of that business plan, Telereunion International has established

Sierra USA to provide international services between the United States and all international points, including Mexico.

## **II. AUTHORIZATIONS SOUGHT**

In this application, Sierra USA is seeking authorization to provide global facilities-based international service, pursuant to Sections 63.18(e)(1) and 63.22 of the Commission's rules. In addition, Sierra USA seeks authority to offer global resale-based international service, pursuant to Section 63.18(e)(2) of the Rules. Sierra USA does not seek to provide service to countries on the FCC's exclusion list, nor does it seek to use facilities on the exclusion list. In addition, Sierra USA seeks to provide switched services via international private lines interconnected to the public switched telephone network (PSTN), in accordance with the Commission's rules.

Sierra USA will be an integral venture in Telereunion International's plan to offer competitive international services throughout North America. Part of that plan is to carry and terminate voice and data traffic between the United States and Mexico, as well as the United States and other foreign points. Through these offerings, Sierra USA will provide U.S. end users and other carriers a competitive alternative to route traffic to and from Mexico and other destinations. This competition will benefit U.S.-based customers and promote competition in the U.S. market and elsewhere.

The international services Sierra USA plans to offer will complement and contribute to the development of further Telereunion business lines within Mexico. These may include the provision of cable TV transport capacity in that country. While not directly affecting the U.S. market, Telereunion's provision of capacity will improve

service and lower costs in the Mexican media market, enlivening that market and boosting its buying capacity for programming, much of which is developed and generated in the United States. In addition, Telereunion plans to pioneer competitive local access network strategies, employing new technologies such as fixed wireless networks (i.e., 802.11(b) Wi-Fi or 802.16 Wi-Max) technologies to improve local service and broadband capacity in Mexico. Through these activities, Telereunion will contribute to the development of the communications and media markets in Mexico, one of the largest trading partners of the United States and its North American neighbor. In addition, as a customer of wireless transmission and network equipment, Telereunion will help stimulate the manufacturing market for new, groundbreaking technologies.

### **III. REGULATORY TREATMENT**

Sierra USA seeks to be classified as a nondominant international service provider on all routes, including the U.S.-Mexico route. While Sierra USA is affiliated with a telecommunications carrier in Mexico, that carrier (Telereunion) does not possess market power in any relevant market in Mexico, where the incumbent carrier, Telmex, remains the dominant network operator and service provider. As indicated in Section IV of this application, Telereunion has far less than a 50 percent market share in any Mexican telecommunications service market, although it competes with Telmex and other carriers in the domestic long distance service market. Moreover, Sierra USA is not affiliated with any other telecommunications carrier or service provider in any other country.

Therefore, because Sierra USA qualifies for a presumption of nondominance under Section 63.10(a)(3) of the Commission's Rules, it seeks streamlined review of this application by the Commission, pursuant to Section 63.12(c) of the Rules.

The following text is provided pursuant to Section 63.18, and constitutes the information required to be provided under that section of the Rules.

#### **IV. SECTION 63.18 CHECKLIST**

(a) The full name, address, and telephone number of the applicant is as follows:

Sierra USA Communications, Inc.  
One Sugar Creek Boulevard, Suite 970  
Sugarland, Texas 77478-3435  
Telephone: 281-565-9200  
Fax: 281-565-9250

(b) Sierra USA is organized under the laws of the State of Delaware.

(c) Correspondence regarding this application should be addressed to the following:

Albert Halprin  
Partner  
Halprin Temple  
1317 F Street NW, Fourth Floor  
Washington, DC 20004  
202-371-9100

(d) Sierra USA has not previously received any authorization under Section 214 of the Act.

(e) Sierra USA hereby requests the following authority:

(1) Global Facilities-Based Authority. Sierra USA is seeking Section 214 authority to operate as a facilities-based international carrier pursuant to Section 63.18(3)(1) of the Commission's rules. Sierra USA seeks a global facilities-based authorization to provide service on all routes not on the Commission's exclusion list. Sierra USA

hereby certifies that it will comply with the terms and conditions contained in Sections 63.21 and 63.22 of the Commission's rules.

(2) Global Resale Authority. Sierra USA also is seeking Section 214 authority to operate as a reseller of international services. It seeks a global resale authorization to resell services on all international routes not on the Commission's exclusion list. Sierra USA hereby certifies that it will comply with the terms and conditions contained in Sections 63.21 and 63.23 of the Commission's rules.

(f) Not applicable.

(g) Not applicable.

(h) Sierra USA is wholly (100 percent) owned by Telereunion International, S.A. de C.V. (Telereunion), a holding company organized under the laws of Mexico. Telereunion International is based in Monterrey, Mexico and maintains headquarters at the following address:

Avenue Pablo Gonzalez Garza  
444 San Jeronimo, Monterrey  
Nuevo Leon, Mexico 64640  
(52) 818-865-3004

Telereunion International is, in turn, co-owned by two individual investors:

1. Eduardo Vasquez Arroyo Carstens (50%)
2. Gabriel Agustin Vasquez Arroyo Carstens (50%)

Both Eduardo and Gabriel Arroyo Carstens maintain their offices at the Telereunion International offices in Monterrey (see above). In addition, Telereunion International is represented by legal counsel in Mexico:

Miguel Garza  
Arizpe, Garza, Ramirez, De Alba & Nunez, S.C.  
(52) 818-343-2090

(i) Sierra USA certifies that it is affiliated with Telereunion, S.A. de C.V. a telecommunications carrier in Mexico. Sierra certifies that this is the sole affiliation; it is not affiliated with any other carrier in any other foreign country.

(j) Pursuant to Section 63.18(j)(3), Sierra USA confirms and certifies that it is seeking authorization to provide service to and from Mexico, where its parent company controls a telecommunications carrier.

(k) Mexico, the destination country referenced in the preceding paragraph (j) is a member of the World Trade Organization. In addition, as will be shown in paragraph (m) below, Sierra USA's affiliate carrier operating in that market, Telereunion, has a market share far less than 50 percent in any Mexican telecommunications market. Therefore, it cannot exercise market power to hamper competition in the U.S. international services market.

(l) Sierra USA seeks authorization to resell the international switched services of unaffiliated carriers on all routes except those designated on the Commission's exclusion list — including Mexico. As noted in paragraph (m) below, and pursuant to Section 63.18(l), Sierra USA submits that it meets the criteria under Section 63.10(a)(3) as a



nondominant carrier on the U.S.-Mexico route. Sierra's Mexican affiliate, Telereunion, holds far less than a 50 percent market share in any Mexican telecommunications market, including long distance and local services. Sierra USA is therefore qualified to seek designation as a nondominant carrier and will not have to file quarterly traffic reports pursuant to Section 63.61(c) of the Rules.

(m) Sierra USA hereby seeks classification as a nondominant carrier on all international routes. With regard to the U.S.-Mexico route, on which Sierra USA is affiliated with a foreign carrier (Telereunion), Sierra USA qualifies as a nondominant international carrier because Telereunion lacks market power in any relevant telecommunications service market in Mexico.

Telereunion competes in the Mexican long distance telephone service market with several carriers, including the dominant, incumbent Mexican carrier, Telefonos de Mexico, S.A. de C.V. (Telmex), which has long held the largest share of all relevant telecommunications markets. In addition, there are several competitive carriers, including Avantel and Alestra that have established far larger footholds in the Mexican market than has Telereunion. In a report published by Pyramid Research LLC earlier this year, for example, Telmex was listed as the largest provider of long distance, transport and local services, with Avantel and Alestra listed as other "leaders." In the "challengers" category, Pyramid listed eight other companies but did not include

Telereunion.<sup>2</sup> Telereunion estimates that its market share percentage does not exceed single digits for any Mexican telecommunications market. Therefore, there is no possibility that grant of this application will lead to a distortion in either the Mexican or U.S. telecommunications markets, because neither Sierra USA nor its affiliate, Telereunion, can exercise market power in either country.

(n) Sierra USA hereby certifies and attests that has not agreed, nor will it agree, to accept any special concession, directly or indirectly, from any foreign carrier with respect to any U.S. international route where that foreign carrier possesses market power on the foreign end of the route. Moreover, Sierra USA certifies that it will not enter into any such agreement in the future.

(o) Pursuant to §§ 1.2001 through 1.2003 of this chapter, Sierra USA certifies and attests that no party to this application is subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988 (See 21 U.S.C. 853a).

(p) Pursuant to Section 63.12, Sierra USA hereby seeks streamlined consideration of this application for Section 214 authority. Although Sierra USA is affiliated with a foreign carrier on the U.S.-Mexico route, it meets the criteria for streamlined treatment under Section 63.12(c)(ii), because Sierra USA qualifies as a non-dominant carrier pursuant to Section 63.10(a)(3). As indicated in paragraphs (l) and (m) of this

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<sup>2</sup> For long distance carriers, Pyramid listed Marcatel, Protel, Bestel, Axtel and Maxcom. Local service challengers were listed as Axtel, Maxcom, Avantel and Alestra. Other challengers, in the transport market, were Bestel, Global Crossing and Equant.

application, Sierra USA's parent company, Telereunion, has far less than a 50 percent market share in any Mexican telecommunication service market. Neither Telereunion nor Sierra, then, can exercise market power or distort competition in the U.S. international service market.

## **CONCLUSION**

For the above-stated reasons, Sierra USA Communications, Inc., hereby submits its application under Section 214 of the Communications Act for authority to offer facilities-based and resale international services between the United States and all foreign points.

Respectfully submitted,

SIERRA USA COMMUNICATIONS, INC.

By: \_\_\_\_\_  
**Albert Halprin**

**Halprin Temple**  
**1317 F Street N.W., 4<sup>th</sup> Floor**  
**Washington, DC 20004**  
**(202) 371-9100**

**September 9, 2004**

**Counsel for Sierra USA**

cc: Don Abelson  
Susan O'Connell  
George Li